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TAGS: [ECON](#) [KCOR](#) [PGOV](#) [EINV](#) [EFIN](#) [SOCI](#) [TS](#)
SUBJECT: CORRUPTION IN TUNISIA: WHAT'S YOURS IS MINE

REF: A. TUNIS 615

[1](#)B. TUNIS 568
[1](#)C. TUNIS 365
[1](#)D. TUNIS 169
[1](#)E. TUNIS 113
[1](#)F. 07 TUNIS 1489
[1](#)G. 07 TUNIS 1443
[1](#)H. 07 TUNIS 1433
[1](#)I. 06 TUNIS 2848
[1](#)J. 06 TUNIS 1673
[1](#)K. 06 TUNIS 1672
[1](#)L. 06 TUNIS 1630
[1](#)M. 06 TUNIS 1622
[1](#)N. 01 TUNIS 2971

Classified By: Ambassador Robert F. Godec for Reasons 1.4 (b) and (d).

Summary

[1](#)1. (S) According to Transparency International's annual survey and Embassy contacts' observations, corruption in Tunisia is getting worse. Whether it's cash, services, land, property, or yes, even your yacht, President Ben Ali's family is rumored to covet it and reportedly gets what it wants. Beyond the stories of the First Family's shady dealings, Tunisians report encountering low-level corruption as well in interactions with the police, customs, and a variety of government ministries. The economic impact is clear, with Tunisian investors -- fearing the long-arm of "the Family" -- forgoing new investments, keeping domestic investment rates low and unemployment high (Refs G, H). These persistent rumors of corruption, coupled with rising inflation and continued unemployment, have helped to fuel frustration with the GOT and have contributed to recent protests in southwestern Tunisia (Ref A). With those at the top believed to be the worst offenders, and likely to remain in power, there are no checks in the system. End Summary.

The Sky's the Limit

[1](#)2. (C) According to Transparency International's 2007 index, the perception is that corruption in Tunisia is getting worse. Tunisia's ranking on the index dropped from 43 in 2005 to 61 in 2007 (out of 179 countries) with a score of 4.2 (with 1 the most corrupt and 10 the least corrupt). Although corruption is hard to verify and even more difficult to quantify, our contacts all agree that the situation is headed in the wrong direction. When asked whether he thought

corruption was better, worse, or the same, XXXXXXXXXXXXXXXX
exclaimed in exasperation, "Of course it's getting worse!"
He stated that corruption could not but increase as the culprits
looked for more and more opportunities. Joking about Tunisia's
rising inflation, he said that even the cost of bribes was up. "A
traffic stop used to cost you 20 dinars and now it's up to 40
or 50!"

All in the Family

13. (S) President Ben Ali's extended family is often cited as
the nexus of Tunisian corruption. Often referred to as a
quasi-mafia, an oblique mention of "the Family" is enough to
indicate which family you mean. Seemingly half of the
Tunisian business community can claim a Ben Ali connection
through marriage, and many of these relations are reported to
have made the most of their lineage. Ben Ali's wife, Leila
Ben Ali, and her extended family -- the Trabelsis -- provoke
the greatest ire from Tunisians. Along with the numerous
allegations of Trabelsi corruption are often barbs about
their lack of education, low social status, and conspicuous
consumption. While some of the complaints about the Trabelsi
clan seem to emanate from a disdain for their nouveau riche
inclinations, Tunisians also argue that the Trabelsis strong
arm tactics and flagrant abuse of the system make them easy
to hate. Leila's brother Belhassen Trabelsi is the most
notorious family member and is rumored to have been involved
in a wide-range of corrupt schemes from the recent Banque de
Tunisie board shakeup (Ref B) to property expropriation and
extortion of bribes. Leaving the question of their
progenitor aside, Belhassen Trabelsi's holdings are extensive
and include an airline, several hotels, one of Tunisia's two
private radio stations, car assembly plants, Ford
distribution, a real estate development company, and the list
goes on. (See Ref K for a more extensive list of his
holdings.) Yet, Belhassen is only one of Leila's ten known
siblings, each with their own children. Among this large
extended family, Leila's brother Moncef and nephew Imed are
also particularly important economic actors.

14. (S/NF) The President is often given a pass, with many
Tunisians arguing that he is being used by the Trabelsi clan
and is unaware of their shady dealings. XXXXXXXXXXXXXXXX
a strong supporter of the government and member of
XXXXXXXXXXXXX, told the Ambassador that the problem is
not Ben Ali, but "the Family" going too far and breaking the
rules. Nevertheless, it is hard to believe Ben Ali is not
aware, at least generally, of the growing corruption problem.
This might also reflect the seeming geographical divisions
between the Ben Ali and Trabelsi fiefdoms, with the Ben Ali
clan reportedly focused on the central coastal regional and
the Trabelsi clan operating out of the greater Tunis area and
therefore, generating the bulk of the gossip. The Ben Ali
side of the Family and his children and in-laws from his
first marriage are also implicated in a number of stories.
Ben Ali has seven siblings, of which his late brother Moncef
was a known drug trafficker, sentenced in absentia to 10
years prison in the French courts. Ben Ali has three
children with his first wife Naima Kefi: Ghaouna, Dorsaf and
Cyrine. They are married respectively to Slim Zarrouk, Slim
Chiboub, and Marouane Mabrouk -- all significant economic
powers.

This Land is Your Land, This Land is My Land

15. (S/NF) With real estate development booming and land
prices on the rise, owning property or land in the right
location can either be a windfall or a one-way ticket to
expropriation. In summer 2007, Leila Ben Ali received a
desirable tract of land in Carthage for free from the GOT in
order to build the for-profit Carthage International School
(Ref F). In addition to the land, the school received a 1.8
million dinar (US \$1.5 million) gift from the GOT, and within
a matter of weeks the GOT had built new roads and stoplights

to facilitate school access. It has been reported that Ms. Ben Ali has sold the Carthage International School to Belgian investors, but the Belgian Embassy has as yet been unable to confirm or discount the rumor. XXXXXXXXXXXX asserted that the school was indeed sold for a huge, but undisclosed sum. He noted any such sale would be pure profit since Ms. Ben Ali's received land, infrastructure, and a hefty bonus at no cost.

¶6. (S/NF) Construction on an enormous and garish mansion has been underway next to the Ambassador's residence for the past year. Multiple sources have told us that the home is that of Sakhr Materi, President Ben Ali's son-in-law and owner of Zitouna Radio. This prime real estate was reportedly expropriated from its owner by the GOT for use by the water authority, then later granted to Materi for private use. A cafe owner recounted a similar tale to an Embassy employee, reporting that Belhassen Trabelsi forced him to trade in a cafe he previously owned in a prime location for his current cafe. The cafe owner stated Trabelsi told him he could do whatever he wanted there; if 50 dinar bribes to the police were not effective, Trabelsi said the owner had only to call him and he would "take care of it."

Yacht Wanted

¶6. (S/NF) In 2006, Imed and Moaz Trabelsi, Ben Ali's nephews, are reported to have stolen the yacht of a well-connected French businessman, Bruno Roger, Chairman of Lazard Paris. The theft, widely reported in the French press, came to light when the yacht, freshly painted to cover distinguishing characteristics, appeared in the Sidi Bou Said harbor. Roger's prominence in the French establishment created a potential irritant in bilateral relations and according to reports, the yacht was swiftly returned. The stolen yacht affair resurfaced in early 2008 due to an Interpol warrant for the two Trabelsis. In May, the brothers were brought before Tunisian courts, in a likely effort to satisfy international justice. The outcome of their case has not been reported.

Show Me Your Money

¶7. (S) Tunisia's financial sector remains plagued by serious allegations of corruption and financial mismanagement. Tunisian business people joke that the most important relationship you can have is with your banker, reflecting the importance of personal connections rather than a solid business plan in securing financing. The legacy of relationship-based banking is a sector-wide rate of non-performing loans that is 19 percent, which remains high but is lower than a high of 25 percent in 2001 (Ref I). Embassy contacts are quick to point out that many of these loans are held by wealthy Tunisian business people who use their close ties to the regime to avoid repayment (Ref E). Lax oversight makes the banking sector an excellent target of opportunity, with multiple stories of "First Family" schemes. The recent reshuffle at Banque de Tunisie (Ref B), with the Foreign Minister's wife assuming the presidency and Belhassen Trabelsi named to the board, is the latest example. According to a representative from Credit Agricole, Marouane Mabrouk, another of Ben Ali's sons-in-law, purchased a 17 percent share of the former Banque du Sud (now Attijari Bank) shares immediately prior to the bank's privatization. This 17 percent share was critical to acquiring controlling interest in the bank since the privatization represented only a 35 percent share in the bank. The Credit Agricole rep stated that Mabrouk shopped his shares to foreign banks with a significant premium, with the tender winner, Spanish-Moroccan Santander-Attijariwafa ultimately paying an off the books premium to Mabrouk. XXXXXXXXXXXX recounted that when he was still at his bank he used to receive phone calls from panicked clients who stated that Belhassen Trabelsi had asked them for money. He did not indicate whether he advised them to pay.

The Trickle Down Effect

¶18. (S) While the stories of high-level, Family corruption are among the most flagrant and oft-repeated, Tunisians report encountering low-level corruption more frequently in their daily lives. Speeding tickets can be ignored, passports can be expedited, and customs can be bypassed -- all for the right price. Donations to the GOT's 26-26 Fund for development or to the Bessma Society for the Handicapped -- Leila Ben Ali's favored charity -- are also believed to grease the wheels. Hayet Louani (protect), a well-connected member of Parliament, faced increased pressure from the GOT after refusing several "requests" to donate money to Trabelsi's soccer team. XXXXXXXXXXXXX reported that customs inspectors demanded 10,000 dinars to get his goods through customs; he did not reveal whether or not he acquiesced to the demand.

¶19. (S) Nepotism is also believed to play a significant role in awarding scholarships and offering jobs. Knowing the right people at the Ministry of Higher Education can determine admission to the best schools or can mean a scholarship for study abroad. An Embassy FSN stated that the Director of International Cooperation, a long-time contact, offered to give his son a scholarship to Morocco on the basis of their acquaintance. If you do not know someone, money can also do the trick. There are many stories of Tunisians paying clerks at the Ministry of Higher Education to get their children into better schools than were merited by their test scores. Government jobs -- a prize in Tunisia -- are also believed to be doled out on the basis of connections. Leila Ben Ali's late mother, Hajja Nana, is also reported to have acted as a broker for both school admissions and government job placement, providing her facilitation services for a commission. Among the complaints from the protestors in the mining area of Gafsa were allegations that jobs in the Gafsa Phosphate Company were given on the basis of connections and bribery.

Mob Rule?

¶10. (S/NF) The numerous stories of familial corruption are certainly galling to many Tunisians, but beyond the rumors of money-grabbing is a frustration that the well-connected can live outside the law. One Tunisian lamented that Tunisia was no longer a police state, it had become a state run by the mafia. "Even the police report to the Family!" he exclaimed. With those at the top believed to be the worst offenders, and likely to remain in power, there are no checks in the system. The daughter of a former governor recounted that Belhassen Trabelsi flew into her father's office in a rage -- even throwing an elderly office clerk to the ground -- after being asked to abide by laws requiring insurance coverage for his amusement park. Her father wrote a letter to President Ben Ali defending his decision and denouncing Trabelsi's tactics. The letter was never answered, and he was removed from his post shortly thereafter. The GOT's strong censorship of the press ensures that stories of familial corruption are not published. The Family's corruption remains a red line that the press cross at their own peril. Although the February imprisonment of comedian Hedi Oula Baballah was ostensibly drug-related, human rights groups speculate his arrest was punishment for a 30 minute stand-up routine spoofing the President and his in-laws (Tunis D). International NGOs have made the case that the harsh prison conditions faced by journalist Slim Boukdhir, who was arrested for failing to present his ID card and insulting a police officer, are directly related to his articles criticizing government corruption. Corruption remains a topic relegated to hushed voices with quick glances over the shoulder.

The Elephant in the Room

¶11. (S) Several Tunisian economists argue that it does not matter whether corruption is actually increasing because "perception is reality." The perception of increasing corruption and the persistent rumors of shady backroom dealings has a negative impact on the economy regardless of the veracity. Contacts tell us they are afraid to invest for fear that the family will suddenly want a cut. "What's the point?" Alaya Bettaieb asked, "The best case scenario is that my investment succeeds and someone important tries to take a cut." Persistently low domestic investment rates bear this out (Ref H). Foreign bank accounts, while illegal, are reportedly commonplace. A recent Ministry of Finance amnesty to encourage Tunisians to repatriate their funds has been an abject failure. Bettaieb stated that he plans to incorporate his new business in Mauritania or Malta, citing fear of unwanted interference. Many economists and business people note that strong investment in real estate and land reflects the lack of confidence in the economy and an effort to keep their money safe (Ref C).

¶12. (S) Thus far, foreign investors have been undeterred, and according to Tunisian business contacts, largely unaffected. Foreign investment continues to flow in at a healthy rate, even excluding the privatizations and huge Gulf projects which have yet to get underway. Foreign investors more rarely report encountering the type of extortion faced by Tunisians, perhaps reflecting that foreign investors have recourse to their own embassies and governments. British Gas representatives told the Ambassador they had not encountered any impropriety. XXXXXXXXXXXXX stated that several years ago Belhassen Trabelsi attempted to strong arm a German company producing in the offshore sector, but that after the German Embassy intervened Trabelsi was explicitly cautioned to avoid offshore companies. Despite pronouncements about increasing domestic investment, the GOT focuses heavily on increasing FDI flows to the country, particularly in the offshore sector. Nevertheless, there are still several examples of foreign companies or investors being pressured into joining with the "right" partner. The prime example remains McDonald's failed entry into Tunisia. When McDonald's chose to limit Tunisia to one franchisee not of the GOT's choosing, the whole deal was scuttled by the GOT's refusal to grant the necessary authorization and McDonald's unwillingness to play the game by granting a license to a franchisee with Family connections.

Comment

¶13. (S) Although the petty corruption rankles, it is the excesses of President Ben Ali's family that inspire outrage among Tunisians. With Tunisians facing rising inflation and high unemployment, the conspicuous displays of wealth and persistent rumors of corruption have added fuel to the fire. The recent protests in the mining region of Gafsa provide a potent reminder of the discontent that remains largely beneath the surface. This government has based its legitimacy on its ability to deliver economic growth, but a growing number of Tunisians believe those at the top are keeping the benefits for themselves.

¶14. (S) Corruption is a problem that is at once both political and economic. The lack of transparency and accountability that characterize Tunisia's political system similarly plague the economy, damaging the investment climate and fueling a culture of corruption. For all the talk of a Tunisian economic miracle and all the positive statistics, the fact that Tunisia's own investors are steering clear speaks volumes. Corruption is the elephant in the room; it is the problem everyone knows about, but no one can publicly acknowledge. End Comment.

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